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C O N F I D E N T I A L SECTION 01 OF 02 MADRID 004554

SIPDIS

WHA/CCA FOR WHITAKER AND ZUNIGA BROWN

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TAGS: [ETTC](#) [PREL](#) [CU](#) [SP](#)

SUBJECT: SPAIN/CUBA: REVIEW REGARDING SUSPENSION OF TITLE  
III OF THE LIBERTAD ACT

REF: SECSTATE 248337

Classified By: Political Counselor Kathy Fitzpatrick; reasons 1.5 (B) and (D)

1. (C) Summary. Spain is among the most important foreign investors in Cuba and the ruling Socialist party has continued the Popular Party's policy of encouraging further investment and trade with Cuba. On human rights issues, the GOS has broken with the Aznar administration's emphasis on support for democracy activists in favor of seeking greater dialogue with the Castro regime. Within the EU, Spain has led the effort to end the EU policy of inviting dissidents to EU national day events, calling the invitations a major impediment to normal contact with the Cuban authorities. Despite our displeasure over the direction of Spanish policy towards Cuba, we should consider whether it is in our interest to deepen our divisions with the EU over Cuba by authorizing Title III actions against Spanish entities, given EU countries' tendency to defer to Spain on Cuba issues. Madrid considers itself a bridge between Cuba and the EU and has emphasized this purported role to overcome the objections of countries that insist on a strong, principled EU position on Cuba. Even EU countries that have resisted Spanish efforts to weaken EU positions on Cuba may feel compelled to support an EU partner faced with U.S. legal action. End Summary.

//SPAIN SEEKS TO EASE EU "RESTRICTIVE MEASURES" ON CUBA//

2. (C) As a member of the EU, Spain is a party to the EU Common Position on Cuba, which guides EU diplomatic relations with Cuba and links improved bilateral relations to an improvement in Cuba's human rights record. Spanish officials have repeatedly stated their commitment to the Common Position. However, over the last six months, and in particular since September, the GOS officials have emphasized their rejection of Aznar's activism on behalf of Cuban opposition figures and have advocated the "modification" of the EU's "Restrictive Measures" against Cuba. Madrid's primary objective is to end the policy of inviting Cuban opposition figures to EU national day celebrations, which the GOS cites as the main obstacle to normal diplomatic ties. The GOS asserts that normal diplomatic relations would enable the GOS to positively influence Cuban officials and would not preclude robust relations with dissidents.

3. (C) We strongly disagree with GOS efforts to weaken the EU Restrictive Measures and believe we should do whatever possible to block Madrid's initiative within the EU. Spanish officials have responded to our criticism of their actions on the Restrictive Measures by stating their intention to promote continued, and even increased contacts with Cuban opposition figures. In public statements on Cuba, both President Zapatero and FM Moratinos have stressed the need for the GOC to institute democratic reforms as a precondition for greater support for Cuba by the EU. Spain's latitude on Cuba is hemmed in by EU partners, such as the Czech Republic, that reject weakening EU measures and instead support a strong, principled stand in support of pro-democracy activists. This political landscape would probably shift to our disadvantage in the event of legal action against a Spanish company under Title III.

4. (C) Regardless of the government in power, Spain plays a leading role on Cuba issues within the EU. Under Aznar, Spain was a key player in solidifying EU support for a strong, principled defense of human rights issues (even as his government pursued continued Spanish investment in Cuba and opposed the U.S. embargo). With the shift in Spain's Cuba policy under Zapatero, we still see EU countries deferring to Spain on Cuba policy, though this time in a negative direction. The GOS understands its leverage on Cuba within the EU and, if Title III action were taken against a Spanish company, it would seek to rally its EU partners to its defense, and perhaps even undermine broader EU support for the Common Position. Countries that have resisted Madrid's attempts to water down EU policy towards Cuba could feel undermined by a USG decision to permit legal action against Spanish companies.

//MAJOR SPANISH INVESTMENTS IN CUBA//

15. (U) Spanish businesses are well aware of the potential of U.S. legal action against them under the Libertad Act and take care to obscure precise information regarding their investments in Cuba. However, we have obtained the following general information regarding the major Spanish investors in Cuba:

-- Grupo Sol Melia: Hotel/Tourism industry. Locations in Cuba include Havana, Varadero, Cayo Largo, Cayo Santa Maria, Ciego de Avila, Cayo Largo del Sur, Cayo Guillermo, Playa Esmeralda, and Santiago de Cuba. The total investment amount is unknown, but press reports indicate Sol Melia will invest USD 50 million in two hotels in 2004-2005.

-- Inversiones Ibersuizas: Commercial investment firm. Investments in Cienfuegos and Santiago de Cuba. According to press reports, Inversiones Ibersuizas has invested a total of USD 150 million in various Cuban projects.

-- Occidental Hotels and Resorts: Hotel/Tourism. Investments in Havana and Play Yuraguanal. Investment amount unknown.

-- Grupo Pinero: Hotel/Tourism. Investment in Varadero. Investment of at least USD 2 million, according to press reports.

-- Iberostar: Hotel/Tourism. Investments in Varadero, Cayo Coco, and Trinidad. Investment amount unknown.

-- Barcelo: Hotel/Tourism. Investments in Varadero and Cayo Largo del Sur. Investment amount unknown.

-- NH Hoteles: Hotel/Tourism. Investment in Havana. Investment amount unknown.

-- Grupo Riu: Hotel/Tourism. Investment in Varadero. Investment amount unknown.

-- Hotetur: Hotel/Tourism. Investment in Varadero and Havana. Investment amount unknown.

-- Aguas de Barcelona: Utility. Investment in Havana in joint venture with Aguas de La Habana. Investment of at least EUROS 5 million in 2002. Subsequent investment amounts unknown.

-- Grupo Altadis: Tobacco. Unspecified location. Investment amount unknown

-- Grupo Freixenet: Wine/Alcoholic Beverages. Unspecified location. According to press reports, Freixenet has invested USD 200,000 to help the Cuban wine industry.

-- Repsol YPF: Energy. Investment in Cuban territorial waters. According to press reports, total Repsol investment is USD 25-40 million.

-- Iberia Airlines: Transportation industry. Investment in Varadero. Investment amount unknown.  
MANZANARES